What is Wholesaling & Why Is It Appealing?

Alright, welcome back to the first real lecture. So what is wholesaling anyway and why is it so appealing?

In short, wholesaling allows you, the investor, to put a property under contract and then resell it to another investor, hopefully for a profit.

It usually involves a property that is in distress with a seller who is motivated to sell.

These deals are usually done with all cash although some wholesalers will leverage lines of credit or hard money loans as well.

A typical scenario will involve a wholesaler finding a motivated seller on a property that isn't listed on the market. Maybe the seller is behind on a few mortgage payments and wants to sell and move to another part of country.

The wholesaler meets and visits the seller at the property, does a thorough assessment of the work that's needed on it (A LOT!) and then makes an all cash offer.

The wholesaler offers to buy the house with all cash at a discount off of the market value in exchange for a quick closing, no closing costs and commissions to the seller. Let's say they agree to a price of $75K. The wholesaler has done their homework and know that this house will need about $25K of rehab before it could be sold but based on the comps they've gotten, but they're confident this house could be sold for $125K+ in the market based on their comps research of homes in good condition. This is the After Repair Value of the property.

Once under contract, the wholesaler pitches the home to

appropriate all cash buyers they've already gotten to know in the market. Maybe they find a buyer investor who is looking to flip a home just like this in the market. They've done it before and know it well and offer to take the property for for $80K, as-is.

he wholesaler then closes both contracts, aka a double closing, and pockets a nice profit of $5K without doing any rehab work.

At the end, we had a win-win-win situation. The homeowner got the cash they needed without any of the hassles of a long and drawn out sales process, like finding an agent, cleaning or fixing anything in the house, etc...It was fast and painless.

The flip investor, who is experienced and was able to do all the rehab at $25K ($105K all in) and then turned it around and sold the home for $125K three months later, making a nice $20K in profits).

You can think of the wholesaler as someone who is connecting the dots between sellers and investor buyers and getting paid for it (sorta like a finders fee but not since you need a license for that).

In the ideal case, everyone wins. Are these numbers achievable? Yes. But ultimately it will depend on the market you're in and the size of the deals you're working with. Some will average less and some more.

So why is wholesaling so popular? Well, when done legally, it's a great way to get started in real estate.

It can be done with little to no capital, which is a great thing for those just starting out in real estate investing.

And it doesn't require any real estate license and it's relatively easy to learn. Although in some states, where the laws are

murkier, it is advised for those who are interested in wholesaling to get a license to be on the safe side. The process of getting a license is usually straight forward and not very costly. Lesson here: understand the laws in your state.

Alright, so practically anyone with no money or experience could get started in wholesaling.

But that doesn't mean it's easy. It is hard work.

Just join a local wholesaling meetup or facebook group and actually talk to people are starting out or even who have been doing it for a few years. It takes commitment. And it requires that you really understand the markets that your in.

It takes time to learning and perfecting your process for finding deals and finding cash buyers. It takes time to develop and nurture the relationships that will help you succeed. It takes networking. And to do it to any meaningful level, it takes hustling.

Don't let any internet real estate guru trying to take your hard earned money tell you otherwise.

But if you're watching this, you probably already know all of that.

Next up, we'll look at some of the important terms all wholesalers should understand when it comes to analyzing their deals.